



PERFORMANCE MANAGEMENT POLICY  
APPROVED BY THE STATE HUMAN RESOURCES COMMISSION  
AUGUST 28, 2014

# Performance Management Policy

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**Policy**

It is the policy of North Carolina State Government to provide a performance management system which evaluates employees' knowledge, skills, and experience to achieve organizational mission, goals, and business objectives. An integrated performance management system enables employees to develop and enhance individual performance while contributing to the achievement of organizational mission, goals, and business objectives. Each agency shall implement the Performance Management Policy as approved by the State Human Resources Commission.

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**Objectives**

In establishing this Performance Management Policy, the State seeks to achieve the following objectives:

- Facilitate effective communication between employees and managers/supervisors;
  - Ensure employees have a clear understanding of the performance expected of them and how their individual work contributes to achievement of the organizational mission;
  - Ensure employees provide, as well as receive, input into the development of individual goals and ongoing information about how effectively they are performing relative to established goals;
  - Identify and implement opportunities for employee development and discussion of career objectives; and
  - Provide policy consistency.
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## Performance Management Policy (Continued)

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### **Covered Employees**

This policy applies to all probationary, trainee, and career employees. This policy does not apply to temporary employees. This policy does apply to all exempt policymaking positions, exempt managerial positions, confidential secretary and confidential assistant positions, and all chief deputy positions.

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### **Performance Cycle**

The standard state government performance cycle is from July 1 through June 30. The annual performance evaluation shall be completed, approved, discussed with employees, and entered into the system of record within 60 calendar days of the cycle end date. The State Human Resources Director has the ability to change the dates of the standard performance cycle; however, all covered employees must be notified a minimum of 60 calendar days prior to the start of the new performance cycle.

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### **Documentation of Performance**

The Office of State Human Resources will provide a standard evaluation template, individual development plan template, and Performance Improvement Plan template to be utilized by all agencies and individuals covered by this policy. The State Human Resources Director will publish and communicate the standardized templates a minimum of 90 calendar days prior to the start of the performance cycle.

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### **Frequency of Performance Reviews**

Performance Reviews are required in the following instances:

- **Career State Employees:** An interim review shall be conducted at the mid-point of the performance cycle and a final performance evaluation shall be conducted annually, within 60 days of the end of the performance cycle.
- **Probationary Employees:** The manager/supervisor shall establish a performance plan for the employee during the first 60 calendar days of employment. The manager/supervisor shall review the probationary employee's performance by conducting quarterly documented performance feedback discussions. If an employee's start date is between November 1 and April 30, the probationary employee will have either an extended or standard (i.e., 12 month) performance cycle and will receive a performance evaluation in June of the following cycle year. If an employee's start date is between May 1 and October 31, the probationary employee will have either an abbreviated performance cycle or a standard (i.e., 12 month) performance cycle and will receive a performance evaluation in June of the current cycle year. To meet the business needs of the work unit, interim reviews may be conducted as frequently as necessary.

## Performance Management Policy (Continued)

### Example Review Schedule for Probationary Employees:

<u>Start Date</u>	<u>Plan in Place Before</u>	<u>First Final Annual Performance Evaluation</u>
<u>May 1, 2015 – October 31, 2015</u>	<u>July 1, 2015 – December 31, 2015</u>	<u>June 30, 2016</u>
<u>November 1, 2015 – April 30, 2016</u>	<u>January 1, 2016 – June 30, 2016</u>	<u>June 30, 2017</u>

- **Trainee Employees:** The manager/supervisor shall establish a performance plan for the employee during the first 60 calendar days of employment. The manager/supervisor shall review the trainee employee's performance by conducting quarterly documented performance feedback discussions. If an employee's start date is between November 1 and April 30, the trainee will have either an extended or standard (i.e., 12 month) performance cycle and will receive a performance evaluation in June of the following cycle year. If an employee's start date is between May 1 and October 31, the trainee will have either an abbreviated performance cycle or a standard (i.e., 12 month) performance cycle and will receive a performance evaluation in June of the current cycle year. To meet the business needs of the work unit, interim reviews may be conducted as frequently as necessary. If the employee's performance indicates he/she is not suited for the position and cannot be expected to meet acceptable standards, it is expected that the employee will be separated.
- **Transfers:** When an employee transfers (lateral, demotion, reassignment, or promotion) within state government, a performance review shall be completed prior to the transfer. If the transfer (lateral, demotion, reassignment, or promotion) occurs within 30 calendar days of the end of the interim review or annual performance evaluation, then a copy of the signed interim review or the performance evaluation shall be sent to the receiving manager/supervisor. If the transfer (lateral, demotion, reassignment, or promotion) occurs more than 30 calendar days until the interim review or annual performance evaluation, then existing management is accountable for ensuring continuity of performance documentation. The existing manager/supervisor shall provide written performance information (i.e. documentation in the system of record or email) specific to the employee to receiving manager/supervisor or complete a formal performance evaluation.
- **Change in Manager/Supervisor:** When there is a change in manager/supervisor, management is accountable for ensuring continuity. The existing manager/supervisor shall provide written performance information (i.e. documentation in the system of record, email, etc.) specific to the employee to the receiving manager/supervisor or complete a formal performance evaluation if the change in manager/supervisor occurs within 30 calendar days of the annual performance evaluation.
- **Separation:** When an employee separates from state government, the manager/supervisor shall assess performance and assign a final overall performance rating, unless the employee's separation is due to a documented disciplinary action, retirement, disability, illness, or death. For an employee who is separated for any reason

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other than documented disciplinary action, retirement, disability, illness, or death, any final overall performance rating of "Does Not Meet Expectations" must be approved by the Human Resources Director or his or her designee.

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### **The Performance Management Process**

#### **Stage One: Performance Planning**

1. Each employee shall have an annual Performance Plan to include at least three but not more than five strategically aligned critical individual goals (not an exhaustive list of all responsibilities required for continued employment and does not duplicate information in the position description), a description of how goals will be measured, and the level of performance required to meet expectations and values. Goals will be written at the "Meets Expectation" level. The agency shall facilitate calibration discussions to systematically assess goal validity and ensure organizational consistency.
2. Within 90 calendar days of the onset of a PM cycle, the Office of State Human Resources will publish and communicate two to four organizational values, which will be standard for all employees subject to this policy. Each agency may choose to add an additional three to five organizational values, selected from a predefined list published and communicated by OSHR within 90 calendar days of the onset of the PM cycle.
3. Organizational values must be 50% of the total weight relative to overall performance. Individual agencies can determine weight of specific goals; however, goal weight can be no more than 50% of the total weight relative to overall performance.
4. Managers/Supervisors shall hold a performance planning discussion and put a performance plan in place with each employee within 60 calendar days of:
  - the beginning of the performance management cycle;
  - the employee's entry into a position;
  - a new (probationary or trainee) employee's date of employment; or
  - any significant change to the principal functions or performance expectations of the current Performance Plan.
5. Once signed by the manager/supervisor and next-level manager/supervisor, the employee shall review, sign, and date the performance plan. Should the employee refuse to sign the performance plan, the manager/supervisor shall document the employee's refusal.
6. Each employee shall have ready access to his/her performance plan either via paper or electronically.

#### **Stage Two: Performance Feedback**

1. Throughout the performance cycle, the manager/supervisor must observe and document employee performance results and behaviors on a regular and consistent basis. In addition, the Manager/supervisor must provide feedback to the employee, both positive and corrective, when appropriate. Both the manager/supervisor and employee should document activities and accomplishments related to goals and behaviors during the performance cycle.
2. Managers/Supervisors must conduct a minimum of three formal performance discussions annually, for each employee and timed accordingly:
  - the initial planning discussion, at the beginning of the performance cycle;
  - an interim review at the performance cycle midpoint; and

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- the annual performance evaluation, at the end of the performance cycle.

The formal discussions provide managers/supervisors and employees with an opportunity to discuss any changes in organizational priorities or employee development goals, review progress and, if necessary, revise performance plans, initiate individual development plans, or address performance problems and identify steps the employee should take to improve or adjust priorities through the remainder of the performance cycle. Additional formal and informal discussions shall also be conducted as needed throughout the performance cycle to adjust cycle goals, document progression, or address fluctuating business requirements.

3. All formal coaching sessions and formal performance discussions shall be documented.

### **Addressing Poor Performance**

If at any time during the performance cycle an employee is not meeting expectations, the manager/supervisor shall:

1. Conduct a documented coaching session to:

- discuss the performance problem,
- outline the steps to be taken to improve performance, including the specific timeframe for improvement,
- identify the consequences, including progressive corrective action, of failure to improve, and
- define a follow up date(s). If performance improves to the "Meets Expectation" level during the agreed upon timeframe and performance is maintained, no further action is necessary.

2. If performance does not improve to the "Meets Expectation" level during the designated timeframe discussed during the coaching session, the manager/supervisor shall consult his/her Human Resources representative, prepare a Performance Improvement Plan (PIP), and conduct and document a formal counseling session to review the PIP with the employee. The PIP documentation will specify:

- the performance problem,
- outline the steps to be taken to improve performance, including the specific timeframe for improvement,
- identify the consequences of failure to improve, and
- define a follow-up date(s), and
- discuss the Employee Assistance Program (EAP) when appropriate.

When warranted, the agency Human Resources Director or his or her designee may grant an extension beyond the specific timeframe for improvement identified in the PIP. For some behaviors and performance concerns, immediate improvement may be necessary (e.g., safety concerns; personal conduct; insubordination, etc.). If warranted, the disciplinary process can commence simultaneously with the implementation of a PIP. It is not necessary to have a PIP in place prior to commencing the disciplinary process; however, most performance deficiencies should have a PIP in place prior to commencing the disciplinary process. For specific information regarding the disciplinary process, please refer to the employee disciplinary policy found in Section 7 of the State Human Resources Manual. Performance deficiencies occurring during the performance cycle, which result in a PIP, shall be referenced in the annual performance evaluation.

3. If performance does not improve to the "Meets Expectation" level during the designated timeframe outlined in the PIP and discussed during the formal counseling session, the

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manager/supervisor shall begin the formal corrective disciplinary action process as outlined in the OSHR disciplinary policy. If an employee receives a performance-based disciplinary action during the performance cycle, corrects, and maintains performance at the "Meets Expectations" level, then the employee shall be considered to have met expectations for the performance expectation(s) associated with the disciplinary action. If the employee receives a performance-based disciplinary action during the performance cycle but does not correct and maintain performance, is on a PIP, or has an active performance-based disciplinary action at the conclusion of the performance cycle, the employee shall be considered not to have met expectations during the current cycle for the performance expectation(s) associated with the disciplinary action.

### **III. Stage Three: Annual Performance Evaluation**

1. At the end of the performance cycle, the manager/supervisor shall evaluate employee performance relative to the three to five individual goals as well as the selected organizational values. Managers/Supervisors shall use quantitative and qualitative information collected throughout the cycle and documented by various sources, including information documented by the employee, to determine the extent to which the employee's actual performance has met the expectations defined in the performance plan. Agency human resources personnel shall facilitate calibration discussions to systematically assess rating validity and ensure organizational consistency.
2. Each individual goal and value shall be rated using the standardized rating scale. The standardized rating scale will consist of three levels defined as follows:
  - ***Exceeds Expectations*** - (3) Performance consistently exceeds documented expectations and measurements. The employee consistently does work going far beyond what is expected in terms such as quantity, quality, timeliness, cost, and customer satisfaction. Performance that "Exceeds Expectations" is due to the effort and skills of the employee. Performance is consistently characterized by exceptionally high quality work that requires little or no improvements or corrections. An employee at this level repeatedly makes exceptional or unique contributions to the organization that are above the requirements of his/her duties and responsibilities. An employee performing at this level should be readily recognized by their organization as an outstanding contributor to the organization's mission.
  - ***Meets Expectations*** – (2) Performance consistently meets and occasionally exceeds the defined job expectations and measurements. The employee performs according to expectations. The employee does the job at the level expected for this position and consistently meets what is expected in terms such as quantity, quality, timeliness, cost and customer satisfaction. The performance is due to the employee's own effort and skills. An employee performing at this level is dependable and makes valuable contributions to the organization. His/her judgments are sound, and he/she demonstrates knowledge and mastery of duties and responsibilities. Most employees should meet expectations in a functional, performing work unit.
  - ***Does Not Meet Expectations*** – (1) Performance does not meet job expectations and measurements and supervisory attempts to encourage performance improvement are unsuccessful. The employee is performing the job at an unacceptable level in terms such as quantity, quality, timeliness, cost, and customer

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satisfaction and performance improvement counseling by the manager/supervisor has not resulted in adequate employee performance improvement. Manager/supervisors are required to continue addressing performance issues with an employee with this rating level, documenting management efforts to encourage acceptable performance, and documenting subsequent results on a Performance Improvement Plan. Performance counseling sessions should be guided by next-level management and/or HR, and may result in disciplinary consequences for the employee who fails to demonstrate improvement.

3. The employee's final overall rating shall be based on results achieved relative to his/her individual goals and organizational values. The final overall rating must reflect both quantity and quality of job performance relative to established goals and identified values. A final overall rating of "Exceeds Expectations" must be supported by thoroughly documented results and accompanied by demonstrated adherence to organizational values. An employee who does not at least "Meet Expectations" on all organizational values shall not be awarded a final overall rating of "Exceeds Expectations," regardless of level of results achieved on goals. An employee who receives a "Does Not Meet" on any goal shall not be awarded an overall rating of "Exceeds Expectations," regardless of the level of results achieved or adherence to values.
4. Upon completion of calibration, a final overall rating shall be assigned and entered into the appropriate system of record. Managers/Supervisors shall not submit final overall ratings for employees unless an annual performance plan, supported by ongoing performance documentation, has been completed in compliance with this policy.

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### Performance Management Resources and Training

Each agency shall:

- Designate a person as its performance management coordinator, with responsibility for coordinating the development, implementation, and ongoing administration of performance management within the organization.
- Provide performance management training, made available by OSHR, to all newly hired or promoted managers/supervisors, to be successfully completed within the first three months of the manager's/supervisor's new role;
- Provide annual refresher training, made available by OSHR, to all employees.

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### Confidentiality and Records Retention

Performance evaluations are confidential documents under G.S. 126-22. Calibration sessions may require the disclosure of performance evaluations on a need-to-know basis among supervisors and managers. To facilitate calibration sessions, the agency head shall execute a memorandum at the beginning of each performance cycle pursuant to G.S. 126-24, indicating that the disclosure of proposed performance evaluations during organizational calibration sessions is essential to maintaining the integrity of the agency and to maintaining the level or quality of services provided by the agency. To promote communication and coordination, agency management may make some version of performance plans visible internally; however, these plans shall not contain any information considered confidential, including notes regarding a disciplinary action, a Performance Improvement Plan, or reference to a performance rating.



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Annual performance evaluations and supporting documentation shall be securely retained for at least three years, and then handled according to applicable records retention schedule.

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### **Policy Compliance**

The Office of State Human Resources will monitor and evaluate performance management records and data to ensure agency compliance.

If an employee believes his/her manager/supervisor is failing to adhere to the performance management processes, the employee should notify the next-level manager/supervisor or the agency's Human Resources office. The failure of a manager/supervisor to carry out the performance management process in accordance with this policy will be addressed as a performance deficiency and will result in one or more of the following:

- Coaching from the next-level manager/supervisor to determine the cause(s) of the deficiency and implementation of a Performance Improvement Plan;
- Participating in skills enhancement training;
- Monitoring and documentation of manager/supervisor progress towards improving implementation of performance management; and/or
- The issuing of appropriate disciplinary actions, up to and including dismissal.

### **Performance Rating Dispute**

Career State employees or former career State employees may grieve an overall performance rating of "Does Not Meet Expectations" using the agency's internal employee grievance process. For more specific information regarding the employee grievance process, please refer to the State of North Carolina employee grievance policy found in Section 7 of the State Human Resources Manual.

## Performance Management Policy (Continued)

### Definitions

<b>Term</b>	<b>Definition</b>
<b><u>Agency</u></b>	A State department, agency, division, office, board, or commission.
<b><u>Annual Performance Evaluation</u></b>	The comprehensive review of the employee's performance, relative to the goals throughout the entire performance cycle. The annual performance evaluation contains a final overall rating.
<b><u>Career State Employee</u></b>	An employee in a permanent position who has been continuously employed by the State, in a position subject to the State Human Resources Act, for the immediate 24 preceding months.
<b><u>Calibration Session</u></b>	A confidential discussion between same-level managers/supervisors, facilitated by the next-level manager/supervisor or designated Human Resource representative, to evaluate work distribution, goal alignment, goal validity, results, and final ratings. Calibration sessions may require the disclosure of performance evaluations on a need-to-know basis among supervisors and managers. To facilitate calibration sessions, the agency or department head shall execute a memorandum at the beginning of each performance cycle pursuant to G.S. 126-24 indicating that the disclosure of proposed performance evaluations during organizational calibration sessions is essential to maintaining the integrity of the agency or department and to maintaining the level or quality of services provided by the agency or department.
<b><u>Coaching Session</u></b>	Either a formal or informal conversation between a manager/supervisor and employee to provide feedback and reinforce desired work actions and behavior.
<b><u>Counseling Session</u></b>	A formal conversation between a manager/supervisor and employee to provide specific feedback and agree upon an action plan to address undesirable actions and behavior regarding performance, work actions, and/or behavior.
<b><u>Goals</u></b>	Organizational, division, work unit, and individual level outcomes which support the strategic mission of the organization. All goals must be relevant to agency goals/mission. An employee accomplishes a goal by achieving related results aligned with that goal.
<b><u>Individual Development Plan</u></b>	The process used to identify areas of development so an employee (1) will have the skills, knowledge, and abilities he/she needs to meet the organization's goals and objectives, and (2) is given an opportunity to develop competencies that will allow him/her to be successful in the future.
<b><u>Interim Review</u></b>	A formal discussion and documentation of such at the mid-point of the performance cycle between manager/supervisor and employee to review the employee's progress and make any necessary adjustments, including the initiation of an Individual Development Plan or a Performance Improvement Plan if necessary.

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<b><u>Performance Cycle</u></b>	The continuous 12 month period during which the performance management process takes place. July 1 through June 30 <sup>th</sup> (State Fiscal Cycle)
<b><u>Performance Expectation (s)</u></b>	A goal, value, or both, defining outcomes and behaviors that are documented on a performance plan to identify results to be accomplished and how the work should be accomplished.
<b><u>Performance Improvement Plan</u></b>	A short-term action plan initiated when an employee's performance falls below expectations. Its purpose is to open a dialogue and develop a strategy for an employee to raise his/her performance to a minimum of "Meets Expectations".
<b><u>Performance Management</u></b>	The written and verbal communication processes for ensuring employees are focusing work efforts in ways that contribute to organizational mission and goals. Performance Management consists of at least three stages: <ol style="list-style-type: none"> <li>1. <u>Performance Planning</u>: setting goals and expectations for employee performance,</li> <li>2. <u>Performance Feedback</u>: maintaining a dialogue between manager/supervisor and employee to keep performance on track, and</li> <li>3. <u>Annual Performance Evaluation</u>: measuring actual performance relative to goals.</li> </ol>
<b><u>Performance Plan</u></b>	A description of the work to be completed by the manager/supervisor and the employee within the performance cycle, with emphasis on the goals and results to be achieved and how those results will be measured.
<b><u>Position Description</u></b>	A statement or set of duties and responsibilities that represents the major functions of a job which must be performed to meet the agency's needs.
<b><u>Probationary Employee</u></b>	An employee who is in a permanent position but has not attained career status by being continuously employed by the State in a position subject to the NC Human Resources Act for the immediate 24 preceding months.
<b><u>Trainee Employee</u></b>	An employee who is in a permanent position but does not meet the State minimum education and experience requirements outlined in the job specifications.
<b><u>Values</u></b>	Qualitative behavioral attributes that document how work actions should be accomplished. Values reflect core organizational beliefs that guide and motivate actions supporting the accomplishment of the agency mission and goals.